

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NEBO WATER)	CASE NO.
DISTRICT FOR AN ALTERNATIVE RATE FILING)	2024-00002
PURSUANT TO 807 KAR 5:076)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of February 26, 2024, the attached report containing the recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's February 26, 2024 Order, Nebo Water District (Nebo District) is required to file written comments regarding the recommendations of Commission Staff no later than 14 days from the date of service of this report. The Commission directs Nebo District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED JUN 11 2024

cc: Parties of Record

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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COMMISSION STAFF'S REPORT
ON NEBO WATER DISTRICT

Nebo Water District (Nebo District) is a water utility organized pursuant to KRS Chapter KRS 74 that owns and operates a distribution system through which it provides retail water service to approximately 1,556 residential customers, 21 commercial customers, 10 industrial customers, and 18 public authorities that reside in Hopkins County, Kentucky.¹

On February 6, 2024,² Nebo District filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,³ Nebo District used the calendar year ended December 31, 2022, as the basis for its application. Nebo District's last base rate increase pursuant to the alternative rate filing procedure was in Case No.

¹ *Annual Report of Nebo District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report), at 12 and 49.

² Nebo District tendered its application on January 29, 2024. By letter dated February 5, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on February 6, 2024.

³ The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

2016-00435.⁴ Since that matter, Nebo District has only adjusted its rates pursuant to purchased water adjustments (PWA), or in conjunction with an application for a Certificate of Public Convenience and Necessity.⁵ To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated February 26, 2024. Nebo District responded to two requests for information from Commission Staff.⁶

UNACCOUNTED-FOR WATER LOSS

Subsequent to the filing of this case, Nebo District submitted its 2023 annual report.⁷ The Commission notes that in its 2023 Annual Report, Nebo District reported a water loss of 12.7850 percent⁸ and a water loss of 17.2339 percent in its 2022 report.⁹ Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission views excessive water loss as a potential warning sign of problems with the financial health and operational well-being of

⁴ Case No. 2016-00435, *Application for Rate Adjustment of Nebo Water District* (Ky. PSC June 5, 2017).

⁵ Case No. 2024-00062, *Electronic Application of the Nebo Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky PSC Apr. 18, 2024).

⁶ Nebo District's Response to Commission Staff's First Request for Information (Staff's First Request), (filed Apr. 4, 2024). Nebo District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 03, 2024). Nebo District's Supplemental Response to Staff's Second Request (filed May 6, 2024).

⁷ *Annual Report of Nebo District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2023 Annual Report).

⁸ 2023 Annual Report, at 57.

⁹ 2022 Annual Report at 57.

water utilities.¹⁰ Over the last four years, Nebo District had an average of 15.82 percent, as shown in the following table.

<u>Year</u>	<u>Water Loss</u>
2020	18.68%
2021	14.58%
2022	17.23%
2023	12.79%
Average	<u>15.82%</u>

Nebo District currently purchases its water from Madisonville Municipal Utilities and Webster County Water District (Webster District).¹¹ The table below shows that the 2022 total annual cost of water loss to Nebo District is \$80,671, while the annual cost of water loss in excess of 15 percent is \$11,477.

<u>Description</u>	<u>Purchased Water</u>	<u>Purchased Power</u>	<u>Total</u>
Pro Forma Purchases	\$ 496,400	\$ 17,355	\$ 513,755
Water Loss Percent	17.2339%	17.2339%	17.2339%
Total Water Loss	<u>\$ 85,549</u>	<u>\$ 2,991</u>	<u>\$ 88,540</u>

<u>Description</u>	<u>Purchased Water</u>	<u>Purchased Power</u>	<u>Total</u>
Pro Forma Purchases	\$ 496,400	\$ 17,355	\$ 513,755
Water Loss in Excess of 15 Percent	2.2339%	2.2339%	2.2339%
Disallowed Water Loss	<u>\$ 11,089</u>	<u>\$ 388</u>	<u>11,477</u>

DISCUSSION

Using its pro forma test-year operations, Nebo District determined that a base rate revenue increase of \$204,278, or 23.33 percent, was necessary to achieve the revenue

¹⁰ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Mar. 12, 2019), Order.

¹¹ 2022 Annual Report at 54.

requirement as shown in the table below.¹² The rates requested by Nebo District would increase the residential monthly bill of a typical residential customer with a 5/8- Inch x 3/4- inch meter using 4,000 gallons per month by \$9.87 from \$42.29 to \$52.16 or approximately 23.33 percent.¹³

Description	Nebo District
Pro Forma Operating Expenses	\$ 986,227
Divided by: 88 Percent Operating Ratio	88%
Plus: Average Interest Expense	-
Overall Revenue Requirement	<u>1,120,713</u>
Less: Other Operating Revenue	(33,319)
Sales to Public Authorities	(3,274)
Interest Income	(4,258)
Revenue Required from Rates	<u>1,079,862</u>
Less: Revenue from Sales at Present Rates	875,584
Required Revenue Increase	<u><u>\$ 204,278</u></u>
Percentage Increase	<u><u>23.33%</u></u>

To determine the reasonableness of the rates requested by Nebo District, Commission Staff performed a limited review of Nebo District's test-year operations. The scope of Commission Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and

¹² Application, Attachment 4, Revenue Requirement Calculation at 15.

¹³ Application, Attachment 1, Customer Notice.

measurable¹⁴ changes to test-year operations were identified, and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

Commission Staff's recommendations are summarized in this report. William Foley reviewed the calculation of Nebo District's Overall Revenue Requirement and Elizabeth Stefanski reviewed Nebo District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Operating Ratio (OR) method, as generally accepted by the Commission, Commission Staff determined that Nebo District's required revenue from water sales is \$1,123,182 to meet the Total Revenue Requirement of \$1,159,113 and that a \$63,301 revenue increase, or 5.97 percent, to pro forma present rate revenues is calculated to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. Based upon the revenue requirement, Nebo District proposed to increase all of its monthly retail water service rates evenly across the board by 23.33 percent. Nebo District stated that it did not complete a cost-of-service study (COSS) at this time, but has plans for a new COSS in the future when there are significant material changes in its water system that would warrant a COSS.¹⁵ The

¹⁴ Commission regulation 807 KAR 5:076, Section 9, sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be "adjusted for known and measurable changes." See also Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

¹⁵ Nebo District's Response to Staff's First Request, Item 18.

Commission has previously found that the allocation of a revenue adjustment evenly across a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS. Commission Staff followed the allocation methodology proposed by Nebo District and allocated the \$63,301 revenue increase evenly across Nebo District's monthly retail water service rates.

On April 18, 2024, the Commission approved new rates for Nebo District in its Certificate of Public Convenience and Necessity (CPCN) filing as required for financing through the United States Department of Agriculture (USDA) Rural Development (RD) for specific upgrades to its system in Case No. 2024-00062.¹⁶ Additionally, on May 8, 2024, Nebo District submitted a PWA filing, Case No. 2024-00120, to pass-through a rate increase from its supplier, the city of Madisonville.¹⁷ On June 6, 2024, the PWA rate increase was approved by the Commission, with an effective date of April 25, 2024.¹⁸ Nebo District's proposed rate increase of 23.33 percent filed in its application does not include the revenue changes resulting from the April 18, 2024 CPCN rate increase¹⁹ or the June 7, 2024 PWA rate increase,²⁰ although a memorandum was filed on March 26,

¹⁶ Case No. 2024-00062, *Electronic Application of the Nebo Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Apr. 18, 2024), final Order.

¹⁷ Case No. 2024-00120, *Electronic Purchased Water Adjustment Filing of Nebo Water District* (filed May 8, 2024).

¹⁸ Case No. 2024-00120, *Electronic Purchased Water Adjustment Filing of Nebo Water District* (Ky. PSC June 6, 2024), final Order.

¹⁹ Case No. 2024-00062, Apr. 18, 2024 final Order.

²⁰ Case No. 2024-00120, June 6, 2024 final Order.

2024, stating that Case No. 2024-00062, would have a material impact on the rates proposed in this case.²¹

Therefore, Commission Staff applied the increased rates from Case No. 2024-00062 and Case No. 2024-00120 to normalize Nebo District's revenue from water sales. The normalized revenue from water sales for Nebo District meets the required revenue for rates of \$1,123,182. The rates set forth in Appendix B to this report, as calculated by Commission Staff, will produce sufficient revenues from water sales to recover the \$1,123,182 Revenue Required from Water Sales, an approximate 5.97 percent increase. The rates will increase the monthly water bill of a typical residential customer using 4,000 gallons, from \$51.56 to \$54.46, an increase of \$2.90, or 5.63 percent.²²

3. Nonrecurring Charges. Following the Commission's recent decisions,²³ Commission Staff has reviewed Nebo District's Nonrecurring Charges. The Commission found that because district personnel are currently paid during normal business hours, estimated labor costs previously included in determining the amount of the Nonrecurring Charges should be eliminated from the charges. Nebo District provided the cost justification for the nonrecurring charges.²⁴ Commission Staff reviewed the cost

²¹ Letter of Explanation, (filed Mar. 27, 2024).

²² Note that in Nebo District's Response to Staff's First Request, Item 24, Nebo District explained that its billing analysis did not include a schedule for the 3-inch meter because no customers are currently served for that meter size. Nebo District also requested that the 3-inch meter class rates be increased proportionally to the other rate classes.

²³ Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020), Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), and Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020).

²⁴ Nebo District's Response to Staff's First Request, Item 22.

justification information provided by Nebo District and have adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs. Nebo District provided cost justification data for meter testing, which increased by \$7, from \$15 to \$22 because of the additional transportation expense of \$7.²⁵ The cost justification sheets provided by Nebo District for the Meter Connection Expense (Tap-On)²⁶ were reviewed by Commission Staff and the Tap-On fee adjusted as seen in the table below. The breakdown of cost for each nonrecurring charge and any Commission Staff adjustment can be found in Appendix A. The Commission Staff's proposed nonrecurring charges are listed below.

<u>Nonrecurring Charge</u>	<u>Current Charge</u>	<u>Revised Charge</u>
Service Call	\$25.00	\$7.00
Service Call / After Hours	\$50.00	\$44.00
Meter Test	\$15.00	\$22.00
Reconnection	\$25.00	\$7.00
Reconnection / After Hours	\$50.00	\$44.00
Bills Paid at Customer's Door	\$15.00	\$4.00
Meter Lid Charge	Actual	Actual
Moving Meter	Actual	Actual
Returned Check	\$35.00	\$12.00
Turn-On Charge	\$25.00	\$7.00
Service Line Inspection	No Charge	No Charge
5/8 Inch Water Tap On	\$1,100.00	\$1,475.00
All Larger than 5/8-inch Meters	Actual	Actual

The adjustment to the Nonrecurring Charges results in a decrease in Other Water Revenue of \$4,920 as shown below.²⁷

²⁵ Nebo District's Response to Staff's First Request, Item_22_Meter_Test_Cost_Justification.pdf.

²⁶ Nebo District's Response to Staff's First Request, Item 22.

²⁷ Nebo District's Response to Staff's First Request, Item 21.

Nonrecurring Charge	No.	Current Charge	Total	Revised Charge	Adjustment	Pro Forma
Bank Fees - Credit Card			\$8,362		n/a	\$8,362
Leak Repair - Other			914		n/a	\$914
Service Call	20	\$25.00	500	\$7.00	(\$360)	\$140
Service Call / After Hours	1	\$50.00	50	\$44.00	(\$6)	\$44
Meter Test	1	\$15.00	15	\$22.00	\$7	\$22
Reconnection Charge	130	\$25.00	3,250	\$7.00	(\$2,340)	\$910
Reconnection Chg/ After Hours	9	\$50.00	450	\$44.00	(\$54)	\$396
Bills Paid at Customer's Door	15	\$15.00	225	\$4.00	(\$165)	\$60
Meter Lid Charge	1	Actual	51	Actual	0	\$51
Moving Meter	-	Actual		Actual	n/a	-
Returned Check	8	\$35.00	280	\$12.00	(\$184)	\$96
Service Line Inspection	-	none		none	n/a	\$0
Turn-On Charge	101	\$25.00	2,525	\$7.00	(\$1,818)	\$707
			<u>\$16,622</u>		<u>(\$4,920)</u>	<u>\$11,702</u>

PRO FORMA OPERATING STATEMENT

Nebo District's Pro Forma Operating Statement for the test year ended December 31, 2022, as determined by Commission Staff appears in the table below.

Description	Test Year	Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	(Ref.)	Pro Forma
<i>Operating Revenues</i>						
Total Metered Retail Sales	\$ 862,702	\$ 12,882	\$ 184,297	\$ 197,179	(A)	\$ 1,059,881
Sales to Public Authorities	3,274	0	0	0		3,274
<i>Other Water Revenues</i>						
Forfeited Discounts	14,297	0	0	0		14,297
Misc. Service Revenues	16,622	0	(4,920)	(4,920)	(B)	11,702
Rents from Water Property	2,400	0	0	0		2,400
Total Operating Revenues	899,295	12,882	179,377	192,259		1,091,554
<i>Operating Expenses</i>						
Salaries and Wages - Employees	251,567		(9,636)	(9,636)	(C)	
		(3,300)	(330)	(3,630)	(D)	238,301
Salaries and Wages - Officers	10,800		1,200	1,200	(E)	12,000
Employee Benefits	40,830		(8,791)	(8,791)	(F)	32,039
Employee Pensions	6,517	0	741	741	(G)	7,258
Purchased Water	459,978	0	36,422	36,422	(H)	
		(10,275)	(814)	(11,089)	(I)	485,311
Purchased Power	17,355	(388)	0	(388)	(J)	16,967
Materials & Supplies	45,861	(7,700)	(770)	(8,470)	(D)	37,391
Contractual Services	14,808			0		14,808
Transportation Expenses	14,555			0		14,555
Insurance - General Liability & Workers Comp.	12,123			0		12,123
Insurance - Other	2,942			0		2,942
Bad Debt	1,267			0		1,267
Miscellaneous Expense	31,192		(4,449)	(4,449)	(J)	26,743
Total Operation and Maintenance Expenses	909,795	(21,663)	13,573	(8,090)		901,705
Depreciation	73,097	3,565	(26,566)	(23,001)	(K)	
		0	85	85	(L)	50,181
Taxes Other Than Income	21,433	0	(53)	(53)	(M)	21,380
Total Operating Expenses	1,004,325	(18,098)	(12,961)	(31,059)		973,266
Net Operating Income	(105,030)	30,980	192,338	223,318		118,288
Interest Income	5,824					5,824
Nonutility Income	34,200	(34,200)		(34,200)		-
Income Available to Service Debt	\$ (99,206)	\$ 30,980	\$ 192,338	\$ 223,318		\$ 124,112

(A) Billing Analysis. Nebo District provided a billing analysis listing the gallons sold and sales revenue for the 12-month test year in its application.²⁸ In the 2022 Annual Report, total metered sales revenue reflected \$865,976.²⁹ Nebo District provided a billing analysis to calculate a normalized revenue amount of \$878,858, and proposed an adjustment increase of \$12,882, based on the usage during the test year, using the rates

²⁸ Application, Attachment #5, Current Billing Analysis.

²⁹ 2022 Annual Report at 49.

authorized in its current tariff prior to April 18, 2024.³⁰ As discussed above in the Monthly Water Service Rates section, the Commission approved new rates in Nebo District’s CPCN filing³¹ on April 18, 2024, and on June 6, 2024, Nebo District’s PWA rate increase was approved by the Commission.³² Nebo District did not provide an updated billing analysis to include the most recent rate increases. Commission Staff calculated a normalized revenue amount for Nebo District based on the water usage and water sales from the test year and updated the normalized revenue to include the April 18, 2024 rate increase and the June 6, 2024 rate increase. An adjustment increase to Total Metered Retail Sales of \$197,179 is necessary to normalize water sales with the updated rates from Case No. 2024-00062 and Case No. 2024-00120 as shown in the table below.

Meter Size	Bills	Gallons Sold	Revenue	Revenue After Increase in Case No.	
				2024-00062 (CPCN)	2024-00120 (PWA)
5/8 x 3/4 inch	18811	67,981,700	\$768,976	\$901,266	\$941,053
5/8 inch	60	289,300	3822	4115	4308
1 inch	216	1,584,800	17,255	19,660	20,630
1 1/2 inch	24	1,548,700	13,187	14,707	15,556
2 inch	111	5,643,300	52,378	58,516	61,861
3 inch	0	0	0	0	0
4 inch	48	2,630,900	22,261	24,871	25,708
Totals	<u>19,270</u>	<u>79,678,700</u>	\$877,879	\$1,023,135	\$1,069,116
Billing Adjustments			(5,961)	(5,961)	(5,961)
Normalized Revenue			\$871,918	\$1,017,174	\$1,063,155
Annual Report Revenues ()			(865,976)	(865,976)	(865,976)
Adjustment			<u>\$5,942</u>	<u>\$151,198</u>	<u>\$197,179</u>

³⁰ Application, Attachment #5, Current Billing Analysis.

³¹ Case No. 2024-00062, Apr. 18, 2024 final Order.

³² Case No. 2024-00120, June 6, 2024, final Order.

Incremental Adjustments	\$5,942	\$145,256	\$45,981
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(B) Miscellaneous Service Revenues. As discussed in the Nonrecurring Charges section above, the adjustments to the nonrecurring charges result in a decrease in Miscellaneous Service Revenue of \$4,920. Nebo District provided additional details to Commission Staff concerning the Miscellaneous Service Revenue of \$16,622³³ as reported in its 2022 Annual Report. As discussed above in the Nonrecurring Charges section, Commission Staff removed all labor costs for charges occurring during normal business hours and all office labor charges from After-Hours nonrecurring charges. Commission Staff recommends the Commission approve the total adjustment to decrease Miscellaneous Service Revenue by \$4,920, because it conforms to Commission precedent on Nonrecurring Charges.

(C) Salaries and Wages – Employees. In its application, Nebo District reported Salaries and Wages of \$251,567.³⁴ Nebo District provided the test year employee list,³⁵ test year hours worked,³⁶ current wage rates,³⁷ and a current employee list.³⁸ Comparing the test year payroll register to the current Payroll Register revealed that, subsequent to

³³ Nebo District's Response to Staff's First Request, Item_9_Rate_Study_Nebo_Water_District.xlsx, Tab AR to ATB.

³⁴ Application, Attachment 4, Schedule of Adjusted Operations.

³⁵ Nebo District's Response to Staff's First Request, Item 5, Item_5_2022_and_2023_Wage_Report.xlsx, Column B.

³⁶ Nebo District's Response to Staff's First Request, Item 5, Item_5_2022_and_2023_Wage_Report.xlsx, Columns D, E, F, and G.

³⁷ Nebo District's Response to Staff's First Request, Item 5, Item_5_2022_and_2023_Wage_Report.xlsx, Columns I plus Column K.

³⁸ Nebo District's Response to Staff's First Request, Item 5, Item_5_2022_and_2023_Wage_Report.xlsx, Column B.

the test year, Nebo District did not have any employee turnover, the only change to Salaries and Wages was a post test year Wage increase for several employees.³⁹

Nebo District included \$3,600 for incentives in the test year Salaries and Wages – Employees,⁴⁰ Nebo District identified these incentives as Christmas Incentives,⁴¹ since these are not performance based, Commission Staff did not include incentives in the calculation of Salaries and Wages – Employees. Upon reviewing the Wage Report, Commission Staff determined Nebo District included the Commissioner Salaries as part of the test year calculation; this amount is also reported in Salaries and Wages – Officers. Therefore, when Commission Staff calculated the current Salaries and Wages – Employees it did not include commissioner salaries in the calculation. Commission Staff calculated a Current Salaries and Wages – Employees amount of \$241,931, using the test year hours for non-commissioner employees and current wage rates. Commission Staff calculated a decrease of \$9,636, as shown in the following table.

Commission Staff recommend the Commission accept Commission Staff's \$9,636 decrease to Salaries and Wages – Employees; to reflect the normalization of test year Salaries at current rates.

³⁹ Nebo District's Response to Staff's First Request, Item 5, Item_5_2022_and_2023_Wage_Report.xlsx, Column K.

⁴⁰ Nebo District's Response to Staff's First Request, Item 5, Item_5_2022_and_2023_Wage_Report.xlsx, Column O.

⁴¹ Nebo District's Response to Staff's First Request, Item 10, Item_10_Board_Minutes_2022_2023.pdf, at 16.

Job Title	Test Year		Pro Forma	Regular	Test Year		Pro Forma	Overtime	Total Wages
	Hours	Hours	Regular		Hours	Hours	Overtime		
	Worked	Worked	Wage Rates	Wages			Wage Rate		
Superintendent	2,125	2,080	\$ 34.00	\$ 70,720	44.75	\$ 51.00	\$ 2,282.25	\$ 73,002.25	
Water Distribution System Operator #1	2,294	2,120	22.00	46,640	173.75	33.00	5,734	52,373.75	
Water Distribution System Operator #2	2,267	2,120	19.00	40,280	147.25	28.50	4,197	44,476.63	
Office Clerk #1	2,166	2,160	19.00	41,040	5.75	28.50	164	41,203.88	
Office Clerk #2	1,929	1,927	16.00	30,832	1.75	24.00	42	30,874.00	
Total	10,780.25	10,407		\$ 229,512	373		\$ 12,419	\$ 241,931	
Less: Test Year Salaries and Wages ()								(251,567)	
Salaries and Wages - Employee Adjustment								<u>\$ (9,636)</u>	

(D) Expenses Related to Meter Installations. In its application, Nebo District proposed an adjustment to decrease Salaries and Wages – Employees by \$3,300 and Materials and Supplies by \$7,700,⁴² to account for tap fee expenses that were included as part of these expenses during the test year.⁴³ During the test year, Nebo District installed 11 new water connections.⁴⁴ The Uniform System of Accounts for Class A/B Water Systems (USoA) requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁴⁵ Commission Staff agrees with Nebo District’s proposed adjustment methodology. However, when Commission Staff calculated the normalized tap fees expense of 11 test year meters installed⁴⁶ at current tariff rate of \$1,100 per meter;⁴⁷ Commission Staff calculated that \$12,100 in expenses needed to be capitalized instead of \$11,000. Therefore, Commission Staff decreased Salaries and Wages – Employee by \$3,630 and Materials and Supplies by \$8,470, as shown in the following table. Additionally, Nebo District confirmed that it has not

⁴² Application, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

⁴³ Application, Attachment 4, References, Adjustment B.

⁴⁴ Nebo District’s Response to Staff’s First Request, Item 15a.

⁴⁵ USoA, Accounting Instruction 19 and 33.

⁴⁶ Nebo District’s Response to Staff’s First Request, Item 15a.

⁴⁷ Nebo District’s Tariff P.S.C. Ky. 2, Sheet 6 (Issued Dec. 11, 2023), effective Jan. 11, 2024.

capitalized the water tap labor, but the cost of replacements or betterment is capitalized.⁴⁸ Therefore, Commission Staff capitalized the labor costs, and made a corresponding adjustment to test-year depreciation as shown in adjustment (L).

Commission Staff recommends the Commission accept Commission Staff's \$330 total decrease to Salaries and Wages – Employees; and Commission Staff's \$770 decrease to Materials and Supplies to reflect the capitalization of expenses related to meter installation.

Description	Salaries and Wages Employees	Materials and Supplies
Tap Fees Collected	\$ 12,100	\$ 12,100
Allocation Percent	30%	70%
Proposed Adjustment ()	(3,630)	(8,470)
Less: Nebo District Proposed Adjustments ()	3,300	7,700
Commission Staff's Proposed Adjustment	<u>\$ (330)</u>	<u>\$ (770)</u>

(E) Salaries and Wages – Officers. In the test year, Nebo District reported Salaries and Wages – Officers expense of \$10,800.⁴⁹ Nebo District's Board of Commissioners consists of three members.⁵⁰ Nebo District submitted the Lewis County Fiscal Court minutes evidencing the members were approved, and their salaries were adjusted subsequent to the test year.⁵¹ The Hopkins County Fiscal Court approved Mike Shocklee and Christopher Winstead to receive \$500 per month for an annual salary of

⁴⁸ Nebo District's Response to Staff's First Request, Item 15b and 15c.

⁴⁹ Application, Schedule of Adjusted Operations.

⁵⁰ Nebo District's Response to Staff's First Request, Item 11, Item_11_Commissioners_Wages_Benefits.xlsx.

⁵¹ Nebo District's Response to Staff's First Request, Item 12, Item_12_Fiscal_Court_Minutes.pdf.

\$6,000 each;⁵² however, Nebo District was not able to locate the fiscal court minutes that authorize Billy Brown to receive compensation.⁵³ Therefore, there is no evidence authorizing Billy Brown’s compensation. Commission Staff removed that amount from its calculation resulting in a total of \$12,000 for the two Commissioners that have authorization to receive compensation. Therefore, Commission Staff calculated an increase to Salaries and Wages – Officers of \$1,200 as shown in the following table. Commission Staff recommends the Commission accept Commission Staff’s \$1,200 increase to Salaries and Wages – Officers; to reflect the normalization of Commissioners’ test year Salaries at current rates. Additionally, Commission Staff recommends that the Commission require Nebo District to seek fiscal court approval for the Billy Brown’s salary at the next session.

Commissioners	Pro Forma Salaries
Michael Shocklee/Chairman	6,000
Billy Brown/Treasurer	-
Christopher Winstead/Secretary	<u>6,000</u>
Total Salaries and Wages - Officers	12,000
Less: Test Year Salaries and Wages - Officers ()	<u>(10,800)</u>
Salaries and Wages - Officers Adjustment	<u>\$ 1,200</u>

(F) Employee Benefits – Insurance Premiums. In its application, Nebo District reported \$47,347⁵⁴ for Employee Pensions and Benefits, of which \$40,830 is for

⁵² Nebo District’s Response to Staff’s First Request, Item 12, Item_12_Fiscal_Court_Minutes.pdf.

⁵³ Nebo District’s Response to Staff’s Second Request, Item 7.

⁵⁴ Application, Exhibit 4, Schedule of Adjusted Operations.

Benefits⁵⁵ and \$6,517⁵⁶ is for pension. Nebo District currently provides 100 percent of employee's Health, Dental, and Vision insurance premiums.⁵⁷ The Commission continues to review employees' total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate. The Commission has found that, in most cases, 100 percent of employer-funded health care does not meet those criteria.⁵⁸ Consistent with precedent,⁵⁹ Commission Staff reduced Nebo District's contribution amount to single health insurance premiums by 21 percent,⁶⁰ and to family insurance premiums by 33 percent⁶¹ as shown in the calculation below. In addition, Commission Staff reduced Nebo District's contribution to dental insurance by 60 percent.⁶² Nebo District provided the most recent copy of its health invoices.⁶³ Accordingly, utilizing the

⁵⁵ Nebo District's Response to Staff's First Request, Item 1b, Item_1b_2022_Trial_Balance.xls, Cells K99 Account 00659-001 Insurance – Employee Group \$39,547 plus K89, 00626-0000 Education Expense \$1,283 = \$40,830.

⁵⁶ Nebo District's Response to Staff's First Request, Item 1b, Item_1b_2022_Trial_Balance.xls, Cell K75, Account 00604-0000 Employee 401K Simple IRA and Benefits \$6,517.

⁵⁷ Nebo District's Response to Staff's Second Request, Item 1.

⁵⁸ Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

⁵⁹ Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019), Order at 8–12.

⁶⁰ Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁶¹ Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁶² See Case No. 2017-00263 *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017), at 9-10, and The Willis Benchmarking Survey, 2015, at 62-63. (<https://www.slideshare.net/annette010/2015-willis-benefits-benchmarking-survey-report>).

⁶³ Nebo District's Response to Staff's First Request, Item 4, Item_4_Recent_Invoices.PDF.

most recent invoice amounts, Commission Staff calculated a final Insurance premium amount of \$30,768 which is \$8,779 less than the test year, as shown in the following table.

Commission Staff recommends the Commission accept Commission Staff's \$8,791 decrease to Employee Benefits; to reflect the reduction of Employee insurance employer contributions to the BLS approved levels.

Type of Premium	Number of Employees	Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Single Health Insurance	3	\$ 2,076	21%	\$ (436)	\$ 1,640
Family Health Insurance	1	1,235	33%	(408)	827
Dental Insurance	3	36	60%	(22)	14
Vision Insurance	4	82	0%	0	82
Total Pro Forma Monthly Premium		3,429		(866)	2,563
Times: 12 Months		12		12	12
Total Annual Pro Forma Premium		<u>\$ 41,148</u>		<u>\$ (10,392)</u>	30,756
Less: Test Year Insurance					(39,547)
Employee Benefits Adjustment					<u>\$ (8,791)</u>

(G) Employee Benefits – Pensions. Nebo District currently matches its employees' Individual Retirement Account (IRA) contributions, up to 3 percent.⁶⁴ Commission Staff reviewed the general ledger for the test year and determined Nebo District recorded \$6,517 for IRA Matching.⁶⁵ However, as explained in Adjustment (C) above, Commission Staff calculated pro forma Salaries and Wages – Employees of \$241,931. Therefore, Commission Staff calculated the revised 3 percent match.

⁶⁴ Nebo District's Response to Staff's First Request, Item 3, Item_3_Nebo_Water_District_Employee_Benefits.pdf.

⁶⁵ Nebo District's Response to Staff's First Request, Item 1a, Item_1a_2022_General_Ledger.xls, Account 00604-0000 Employee 401K Simple IRA and Benefits, Cell O12183.

Commission Staff proposed an adjustment to increase Employee Pensions and Benefits by \$741, as shown below.

Commission Staff recommend the Commission accept Commission Staff's \$741 total increase to Employee Pensions to reflect the change in retirement contributions due to changes in employees' salaries.

Description	Amount
Salaries and Wages - Employees	\$ 241,931
Multiplied by: IRA Contribution Match percentage	3%
Pro Forma Retirement Expense	7,258
Less: Test year Employee Pensions ()	(6,517)
Employee Pensions Adjustment	<u>\$ 741</u>

(H) Purchased Water Normalization. During the test year, Nebo District reported a Purchased Water expense of \$459,978.⁶⁶ Subsequent to the filing of this case, Nebo District submitted and received a Purchased Water Adjustment, therefore, the current rates are \$.00498 and \$.00370 per gallon respectively.⁶⁷ Commission Staff calculated Purchased Water expense using the test year gallons purchased of 99,265,000 from the city of Madisonville and 556,800 from Webster District⁶⁸ and the current rates⁶⁹ as \$496,400. Commission Staff calculated a Purchased Water Expense of \$496,400, which results in a \$36,422 increase to Purchased Water Expense as shown in the table below.

⁶⁶ Application, Attachment 4, Schedule of Adjusted Operations.

⁶⁷ Case No. 2024-00120, June 6, 2024 final Order.

⁶⁸ Nebo District's Supplement Response to Staff's Second Information Request, Supplemental_Info_to_Staffs_2nd_Data_Request.xlsx, Cells B15 and C15.

⁶⁹ Case No. 2024-00120, June 6, 2024 final Order.

Commission Staff recommend the Commission accept Commission Staff's \$36,422 total increase to Purchased Water Expense to reflect the normalization in purchased water at current rates.

	Gallons Purchased	Cost per Gallon	Total
City of Madisonville	99,265,000	\$0.00498	\$ 494,340
Webster County Water District	556,800	0.00370	2,060
Total	99,821,800		496,400
Less: Test Year Purchased Water ()			(459,978)
Purchased Water Adjustment			<u>\$ 36,422</u>

(I) Expenses Relate to Excess Water Loss. In its application, Nebo District proposed adjustments to decrease Purchased Water Expense by \$10,275 and Purchased Power Expense by \$388.⁷⁰ The adjustments are to reflect the expense for water loss in excess of 15 percent.⁷¹ During the test year, Nebo District reported water loss of 17.2339 percent.⁷² As mentioned earlier in the report, Commission regulations states that for ratemaking purposes, expenses for water loss in excess of 15 percent shall not be included. Commission Staff calculated Purchased Water expense of 496,400 in adjustment (H) above. Commission Staff calculated a net decrease of \$11,089 to Purchased Water expense, which is \$814 more than proposed by Nebo District. Nebo District proposed to reduce Purchased Power Expense by \$388, and Commission Staff agreed with the adjustment, as shown in following table.

⁷⁰ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

⁷¹ Application, Attachment 4, References, Adjustment B.

⁷² 2022 Annual Report at 57.

Commission Staff recommends the Commission accept Commission Staff's \$814 total decrease to Purchased Water to reflect the reduction in purchased water expense due to excess water loss above 15 percent.

Description	Purchased Water	Purchased Power	Total
Pro Forma Expenses	\$ 496,400	\$ 17,355	\$ 513,755
Multiply by: Water loss in Excess of 15 Percent	(2.2339%)	(2.2339%)	(2.2339%)
Excess Cost	(11,089)	(388)	(11,477)
Less: Nebo Proposed Adjustment ()	10,275	388	10,663
Total proposed Adjustment	\$ (814)	\$ -	\$ (814)

(J) Miscellaneous Expense. In its application, Nebo District reported Miscellaneous Expense of \$31,192.⁷³ Commission Staff reviewed the adjusted trial balance⁷⁴ and Nebo District's Trial Balance to Annual Report reconciliation.⁷⁵ Commission Staff totaled the Miscellaneous Expense subaccounts and agreed with Nebo District's Trial Balance's Miscellaneous Expense of \$26,743.⁷⁶ Nebo District also noted, but was unable to explain the \$4,449 difference.⁷⁷ Therefore, in order to reconcile the application to the Trial Balance, Commission Staff proposed a decrease to Miscellaneous Expense of \$4,449, as shown in the following table.

⁷³ Application, Exhibit 4, Schedule of Adjusted Operations.

⁷⁴ Nebo District's Response to Staff's First Request, Item 1b, Item_1b_2022_Trial_Balance.xlsx.

⁷⁵ Nebo District's Response to Staff's First Request, Item 9, Item_9_Rate_Study_Nebo_Water_District.xlsx.

⁷⁶ Nebo District's Response to Staff's First Request, Item 9, Item_9_Rate_Study_Nebo_Water_District.xlsx, AT to ATB Tab, cell H55.

⁷⁷ Nebo District's Response to Staff's First Request, Item 9, Item_9_Rate_Study_Nebo_Water_District.xlsx, AT to ATB Tab, cell I55.

Description	Amount
00622-0000 Utilities	\$ 2,518
00623-0000 Bank Service Charges	6,138
00625-0000 Telephones & Internet	4,599
00630-0000 Office Expenses	11,426
00675-0000 Misc Exp	1,942
00607-0000 Uniforms	120
Total Miscellaneous Expense	26,743
Less: Test Year Miscellaneous Expense ()	(31,192)
Miscellaneous Expense Adjustment	<u>\$ (4,449)</u>

Commission Staff recommends the Commission accept Commission Staff's \$4,449 decrease to Miscellaneous Expense; to reflect the reconciliation between the application and the Trial Balance.

(K) Depreciation Expense. In the application, Nebo District proposed an increase in Depreciation Expense by \$3,565,⁷⁸ to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Average Service Lifetimes, Major Systems Components – Wastewater Systems (Wastewater Study)*.⁷⁹ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon a NARUC study titled *Depreciation Practices for Small Water Utilities* (NARUC Study) published in 1979.⁸⁰ When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the

⁷⁸ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment D.

⁷⁹ Application, Exhibit 4, References, Adjustment D.

⁸⁰ Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*, (Ky. PSC Dec. 22, 2023), Order at 30. Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment*, (Ky. PSC Jan. 11, 2024), Order at 36.

utility plant.⁸¹ Upon examination, Commission Staff agrees with Nebo District’s methodology to adjust depreciation expense. However, Commission Staff calculated a depreciation expense of \$50,095. Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff decreased Nebo District’s Depreciation Expense by \$23,001, which is \$26,566 less than proposed by Nebo District, as shown in the following table. Commission Staff recommends the Commission accept Commission Staff’s \$26,566 decrease to Depreciation Expense, to reflect the normalization of Depreciation Expense.

Class of Plant	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Communication Equipment	10	\$ 771	\$ (231)	\$ 540
Office Equipment	20 - 25	1,342	(924)	418
Distribution Reservoirs	30 - 60	3,607	(400)	3,207
Tank Rainting & Repair/ Structures & Improvements	35 -40	21,321	(4,264)	17,057
Hydrants	40 - 60	228	(45)	183
Meters & Meter Installation	40 - 50	1,586	(1,189)	396
Power Operated Equipment	10 - 15	502	(221)	281
Pumping Equipment	20	3,813	(1,839)	1,973
Structures & Improvements	35 - 40	2,198	(596)	1,602
Transmission Mains	50 - 75	32,063	(11,543)	20,520
Transportation Equipment	7	5,485	(1,567)	3,918
Total		72,917	(22,821)	50,096
Less: Reported Test Year Depreciation				(73,097)
Total Depreciation Adjustment				(23,001)
Less: Nebo District’s Proposed Adjustment ()				(3,565)
Commission Staff’s Proposed Adjustment				<u>\$ (26,566)</u>

(L) Capitalization of Tap Labor Expenses. As explained in Adjustment (D) above, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over

⁸¹ See Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), Order; Case 2023-00134 Dec. 22, 2023 Order at 30; Case 2023-00154, Jan. 11, 2024 Order at 36.

their estimated useful lives. Nebo District confirmed that it already capitalized the cost of replacement or betterment.⁸² Therefore, Commission Staff calculated the annual depreciation amount for the test year and increased Depreciation Expense by \$85 to account for the Tap Fee Labor Expense, as shown in the following table.

Description	Labor Expense Amount
Test Year Water Connections Labor Expense	\$ 3,630
Less: Expense Already Capitalized ()	-
Total Amount Capitalized	3,630
Divided by: NARUC Proposed Service Lives	42.5
Pro Forma Depreciation Adjustment	<u>\$ 85</u>

(M) Taxes other than Income – FICA. In the application, Nebo District reported \$21,433 for Taxes Other Than Income.⁸³ As discussed above, Commission Staff reduced Taxes Other Than Income by \$3,864. Commission Staff recalculated the payroll taxes, accounting for Adjustments (C) and (D) above, Commission Staff calculated pro forma Salaries and Wages – Employees of \$241,931 and Salaries and Wages – Officers \$12,000. Therefore, Commission Staff calculated a pro forma Taxes Other Than Income of \$21,380, which is a decrease of \$53, as shown in the following table.

⁸² Nebo District’s Response to Staff’s First Request, Item 15c.

⁸³ Application, Attachment 4, Schedule of Adjusted Operations.

Description	Amount
Salaries and Wages - Employees	\$241,931
Salaries and Wages - Officers	<u>12,000</u>
Total Pro Forma Salaries	253,931
Multiply by: 7.65 Percent FICA Rate	<u>7.65%</u>
Total Pro Forma Payroll Taxes	19,426
Plus: Reg Comm Exp- PSC	<u>1,954</u>
Total Taxes Other Than Income	21,380
Less: Test Year Taxes other than Income ()	<u>(21,433)</u>
Total Taxes Other Than Income Adjustment	<u><u>\$ (53)</u></u>

(N) Nonutility Income – Grant Funding. In its application, Nebo District included an adjustment to decrease Nonutility Income by \$34,200,⁸⁴ to reflect grant funding received in the test year.⁸⁵ Nebo District reported that this transaction was not expected to recur in the future.⁸⁶ Therefore, it is not a routine transaction in the normal course of business and should be removed from the test year. Commission Staff agrees with Nebo District’s proposed adjustment and decreased Nonutility Income by \$5,048 to remove the effects of this extraordinary transaction.

OVERALL REVENUE REQUIREMENT

The Operating Ratio methodology⁸⁷ is used when there is no basis for a rate of return determination, the cost of the utility has fully or largely been funded through

⁸⁴ Application, Attachment 4, Revenue Requirement, Adjustment E.

⁸⁵ Application, Attachment 4, References, Adjustment E.

⁸⁶ Application, Attachment 4, References, Adjustment E.

⁸⁷ Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

contributions, or there is little or no outstanding long-term debt. The Operating Ratio is a method to provide the utility with necessary working capital to operation effectively. Therefore, Commission Staff recommends the Operating Ratio method is more appropriate, as at the time of Commission Staff's review, Nebo District only had one outstanding Kentucky Infrastructure Authority (KIA) loan, and one loan through the United States Department of Agriculture (USDA) Rural Development (RD). Commission Staff is of the opinion that an operating ratio of 88 percent will allow Nebo District necessary working capital and revenues to cover its reasonable operating expenses to operate and provide for reasonable equity growth.

By applying the Operating Ratio method, Commission Staff found Nebo District's Revenue Requirement from Rates for Service to be \$1,123,182. A revenue increase of \$63,301, or 5.97 percent, is necessary to generate the Overall Revenue Requirement of \$1,159,113.

Description	Nebo District	Commission Staff
Pro Forma Operating Expenses	\$ 986,227	\$ 973,266
Divided by: 88 Percent Operating Ratio	88%	88%
Plus: Average Interest Expense	-	53,129 (1)
Overall Revenue Requirement	1,120,713	1,159,113
Less: Other Operating Revenue	(33,319)	(28,399)
Sales to Public Authorities	(3,274)	(3,274)
Interest Income	(4,258)	(4,258)
Revenue Required from Rates	1,079,862	1,123,182
Less: Revenue from Sales at Present Rates	875,584	(1,059,881)
Required Revenue Increase	\$ 204,278	\$ 63,301
Percentage Increase	23.33%	5.97%

1. Average Annual Interest and Fees Payments. In its application, Nebo District did not request recovery of the average annual interest on its indebtedness.⁸⁸ At the time of Commission Staff's review, Nebo District had one outstanding KIA loan.⁸⁹ Subsequent to the filing of this application, Nebo District filed and received an additional loan through the USDA/RD.⁹⁰ Since the statutory date for a final Order to be issued in this proceeding is December 6, 2024, the 2024 payments will be recovered through Nebo District's existing rates. Commission Staff calculated the average interest payments for the new RD Loan. Therefore, Commission Staff included the average annual interest on a five-year average for the years 2025 through 2029. Commission Staff calculated an average Interest Expense of \$53,129 as shown in the following table.

Year	Debt Service Schedule			
	Loan B12-053		RD Series 2024	
	Interest	Fees	Interest	Total
2025	\$ 896	\$ 90	\$ 53,683	\$ 54,668
2026	801	80	53,043	53,924
2027	704	70	52,380	53,155
2028	606	61	51,693	52,360
2029	505	51	50,982	51,538
Total	<u>\$ 3,512</u>	<u>\$ 351</u>	<u>\$ 261,782</u>	265,645
Divide by: 5 years				5
Average Interest Expense				<u>\$ 53,129</u>

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⁸⁸ Application, Attachment 4, Revenue Requirements Table.

⁸⁹ Case 2012-00483, *Application of Nebo Water District for Authority to Enter Into a Loan Agreement with the Kentucky Infrastructure Authority* (Ky. PSC Jan. 23, 2013).

⁹⁰ Case No. 2024-00062, Apr. 18, 2024 Order.

Signatures

/s/ William Foley

Prepared by: William Foley
Revenue Requirement Branch
Division of Financial Analysis

/s/ Elizabeth Stefanski

Prepared by: Elizabeth Stefanski
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00002 DATED JUN 11 2024

* Denotes Rounding

Nonrecurring Charges Adjustments

	Service Call Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1hr @ \$20.50/hr)	\$20.50	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$2.92	\$0.00
Transportation (10 miles X .67 per mile)	\$6.70	\$6.70
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$30.12	\$7.00
Current Rate	\$25.00	

	Service Call-After Hours Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1hr @ \$30.75/hr)	\$30.75	\$30.75
Office Supplies	\$0.00	\$0.00
Office Labor	\$2.92	\$0.00
Transportation (20 miles X .67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$47.07	\$44.00
Current Rate	\$50.00	

	Meter Test Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1hr @ \$20.50/hr)	\$20.50	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation (10 miles X .67 per mile)	\$6.70	\$6.70

Misc. (Meter Test Charged by I.T.M)	\$15.00	\$15.00
Total Revised Charge	\$42.20	\$22.00
Current Rate	\$15.00	

Reconnection for Non-Payment		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1hr @ \$20.50/hr)	\$20.50	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$2.92	\$0.00
Transportation (10 miles X .67 per mile)	\$6.70	\$6.70
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$30.12	\$7.00
Current Rate	\$25.00	

Reconnection for Non-Payment / After Hours		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1hr @ \$30.75/hr)	\$30.75	\$30.75
Office Supplies	\$0.00	\$0.00
Office Labor	\$2.92	\$0.00
Transportation (miles 20 X .67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$47.07	\$44.00
Current Rate	\$50.00	

Bills Paid at Customer's Door		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (0.50 hr @ \$20.50/hr)	\$10.25	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation (5 miles X .67 per mile)	\$3.35	\$3.35
Misc.	\$0.00	\$0.00
Total Revised Charge	\$13.60	\$4.00

Current Rate \$15.00

	Returned Check Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Office Supplies	\$1.75	\$1.75
Office Labor (1 hr @ 19.00/hr)	\$19.00	\$0.00
Transportation	\$0.00	\$0.00
Misc. (Bank Charge)	\$10.00	\$10.00
Total Revised Charge	<u>\$30.75</u>	<u>\$12.00</u>
Current Rate	\$35.00	

	Turn-On Charge Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1hr @ \$20.50/hr)	\$20.50	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$2.92	\$0.00
Transportation (10 miles X .67 per mile)	\$6.70	\$6.70
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$30.12</u>	<u>\$7.00</u>
Current Rate	\$25.00	

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00002 DATED JUN 11 2024

The following rates and charges are recommended by Commission Staff based on the adjustments in Commission Staff's Report for the customers in the area served by Nebo Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission.

Monthly Water Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$31.14	Minimum Bill
Next	2,000 Gallons	0.01166	Per Gallon
Next	6,000 Gallons	0.01114	Per Gallon
Next	10,000 Gallons	0.01062	Per Gallon
Over	20,000 Gallons	0.01009	Per Gallon

1-Inch Meter

First	4,000 Gallons	\$54.45	Minimum Bill
Next	6,000 Gallons	0.01114	Per Gallon
Next	10,000 Gallons	0.01062	Per Gallon
Over	20,000 Gallons	0.01009	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$121.23	Minimum Bill
Next	10,000 Gallons	0.01062	Per Gallon
Over	20,000 Gallons	0.01009	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$227.36	Minimum Bill
Over	20,000 Gallons	0.01009	Per Gallon

3-Inch Meter

First	30,000 Gallons	\$328.21	Minimum Bill
Over	30,000 Gallons	0.01009	Per Gallon

4-Inch Meter

First	50,000 Gallons	\$529.90	Minimum Bill
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Over 50,000 Gallons 0.01009 Per Gallon

Nonrecurring Charges

Late Payment Penalty	10%
Service Call	\$7.00
Service Call / After Hours	\$44.00
Meter Test	\$22.00
Reconnection for Non-Payment	\$7.00
Reconnection for Non-Payment / After Hours	\$44.00
Bills Paid at Customer's Door	\$4.00
Meter Lid Charge	Actual
Moving Meter	Actual
Returned Check	\$12.00
Turn-On Charge	\$7.00
Service Line Inspection	No Charge
5/8 Inch Water Tap On	\$1,475.00
All Larger than 5/8-inch Meters	Actual

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